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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 341 March, 1989

Business in Virginia February, 1989 Data

The economic indicators regularly reported by the Bureau in Tables II and III consist of seven indicators for which last month's (in this instance February's) figures are available plus two lagged indicators, nonagricultural employment and taxable retail sales, for which the latest data are for the month before last.

The seven most current indicators serve as preliminary signals of the economic pace for the past month. The two lagged variables, the number of payroll jobs and Virginian's retail spending, are broad economic measures regarded as coincident indicators. These coincident indicators move with as well as represent major elements of the general level of economic activity in Virginia. Their role in our Bureau report is to expand the information available about the economy two months back and give a broader base for judging the prior and current strength of the Virginia economy. Thus in this issue we offer seven economic indicators as initial signs of the state's economic activity in February, plus two indicators that supplement and confirm our initial impression in the last issue that January was a strong month.

Given that prologue, we now can turn to the February data. All seven of the economic indicators which serve as early signals declined statewide in February. Such a drop does not indicate that a recession (we will use the taboo word) has begun in Virginia. Several months of declining activity, confirmed by a decrease in employment, are the minimal conditions for acknowledging that a recession is in progress.

However, it is unusual and startling for all seven of the most recent indicators to show declines from the same month in the preceding year. Two forces that played a major role in the decreases were the weather and the calendar. January's unusually warm and clear weather boosted economic activity, especially construction, in that month. Then the true winter weather of February, with record snowstorms in some parts of the state, sent many types of activity plummeting. For example, tourism literally was stopped in its tracks for part of the month.

The calendar also was a force because our production and sales data are for the month, not per trading day. February of 1988 was a leap year month, with an extra business day compared to this February. Several of this February's statewide decreases were marginal, such as building permits, off 1.6%; newspaper advertising, down 1.7%; and sales per store by our retail sample, -0.6%. Thus the calendar difference alone could have been sufficient to push them into the negative range.

Our initial assessment is we should blame the weather and the calendar for creating one month of very soft economic activity. The evidence from prior months points to strong upward momentum with no signs of reversing, so February stands as the one-month exception to a pattern of steady growth.

A few comments on the individual series are appropriate. Building permits were expected to fall in February, following January's 184.5% explosion. Given the weather-related swings in activity, the fact that building permits only fell 1.6% in February actually is good news.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change February, 1989 from February, 1988

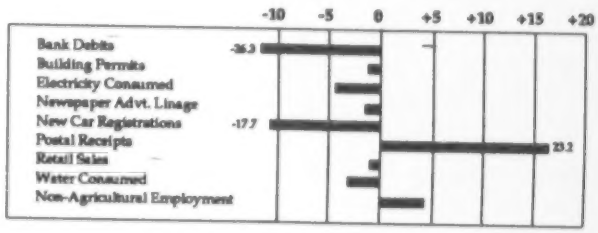
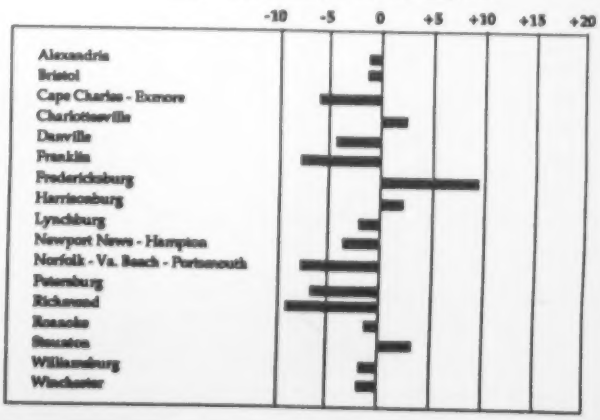


Chart II

City Indices

Percentage Change February, 1989 from February, 1988



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I February, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JANUARY NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	SAMPLE RETAIL SALES †	POSTAL RECEIPTS
The State		268.0	161.7	171.6	91.7	121.1	147.0	81.1	186.9	485.2
Alexandria	141.0	457.7	499.4	200.0	N.A.	104.7	204.5	88.9	130.4	N.A.
Bristol	132.5	N.A.	82.5	131.3	86.2	74.1	118.4	93.8	127.2	329.4
Cape Charles - Exmore	116.2	N.A.	252.4	147.7	N.A.	78.9	N.A.	N.A.	89.4	202.2
Charlottesville	189.7	142.8	82.6	161.8	N.A.	99.3	115.1	122.9	206.2	400.2
Danville	119.4	N.A.	224.9	113.9	91.7	64.0	103.7	73.7	N.A.	272.5
Franklin	122.5	N.A.	168.9	152.1	113.0	88.5	N.A.	89.0	93.4	258.9
Fredericksburg	336.5	241.2	63.2	N.A.	148.3	183.4	N.A.	80.8	148.9	1725.8
Harrisonburg	160.7	336.6	759.0	N.A.	118.0	66.7	N.A.	129.3	151.9	354.9
Lynchburg	284.4	397.2	258.1	137.6	N.A.	79.7	98.6	115.7	176.8	1316.3
Newport News - Hampton	112.1	N.A.	268.1	142.5	86.2	88.2	140.5	98.2	158.3	N.A.
Norfolk - Va. Beach - Portsmouth	161.8	403.0	148.9	184.6	N.A.	87.2		73.7	240.6	N.A.
Petersburg	153.2	89.2	65.8	N.A.		41.9	135.1	105.3	158.6	313.6
Richmond	150.3	265.9	149.8	188.3	100.2	92.1		94.0	110.3	412.2
Roanoke	159.9	346.0	131.8	123.2	129.8	89.3	124.6	95.0	155.9	429.1
Staunton	143.0	133.2	440.2	N.A.	73.8	94.3	N.A.	N.A.	155.9	251.9
Williamsburg	158.4	144.1	353.8	191.7	N.A.	112.7	N.A.	78.8	108.7	402.0
Winchester	156.1	383.5	143.1	182.7	192.0	113.6	N.A.	N.A.	N.A.	N.A.

TABLE II February, 1988

Percentage Change from Same Month Last Year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JANUARY NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	SAMPLE RETAIL SALES †	JANUARY TOTAL RETAIL SALES ‡
The State		-26.3	-1.8	-4.6	-1.7	-17.7	4.5	-3.2	-0.6	0.5
Alexandria	-1.4	3.9	-20.7	-3.2	N.A.	-11.3	6.2	1.8	-3.1	4.8
Bristol	-1.4	N.A.	800.5	-9.1	-1.7	-20.5	3.2	-11.3	7.5	4.6
Cape Charles - Exmore	-5.9	N.A.	-12.6	-5.6	N.A.	-13.4	N.A.	-25.0	-4.4	15.8
Charlottesville	2.6	-11.2	-66.6	-3.7	N.A.	-13.7	3.7	9.0	9.5	-3.1
Danville	-4.4	N.A.	53.7	-2.1	-6.6	-10.7	3.7	-2.2	N.A.	-8.5
Franklin	-7.2	N.A.	-10.5	-0.3	9.4	-12.9	N.A.	0.0	-10.8	-21.5
Fredericksburg	9.5	20.4	-36.9	N.A.	0.3	4.1	N.A.	11.2	14.8	8.5
Harrisonburg	2.4	21.4	148.7	N.A.	-5.4	-27.1	N.A.	-10.6	17.8	6.9
Lynchburg	-2.0	11.5	114.8	-10.8	N.A.	-10.7	1.0	9.3	1.2	-8.7
Newport News - Hampton	-3.9	N.A.	59.8	-3.3	5.5	-20.4	1.4	-4.5	-2.5	0.8
Norfolk - Va. Beach - Portsmouth	-7.6	-24.3	-15.1	-5.5		-22.0		-7.9	-9.0	-5.9
Petersburg	-8.3	-63.6	-9.9	N.A.	N.A.	-44.1	2.7	8.2	0.8	-8.8
Richmond	-9.6	-27.7	43.0	-4.7	-16.3	-20.2		-3.1	-3.7	-30.8
Roanoke	-1.5	-4.6	-39.9	-6.6	1.2	-2.8	1.4	-4.4	0.9	-5.2
Staunton	3.8	-2.8	171.1	N.A.	-2.2	-34.1	N.A.	N.A.	13.4	16.8
Williamsburg	-1.7	-1.6	-2.0	-4.9	N.A.	-26.5	N.A.	4.4	5.2	-0.8
Winchester	-1.7	7.8	173.3	1.7	2.8	-13.5	N.A.	N.A.	N.A.	2.4

TABLE III February, 1988

Percentage Change January - February from Same Period Last Year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JAN. - DEC. 1988 NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	SAMPLE RETAIL SALES †	JAN. - DEC., 1988 TOTAL RETAIL SALES ‡
The State		-11.9	19.4	-3.4	-1.7	-9.1	3.7	-3.8	0.5	6.6
Alexandria	0.5	12.6	-2.4	-2.5	N.A.	-5.5	5.3	10.7	-2.9	4.4
Bristol	0.6	N.A.	71.8	-3.4	-0.4	6.8	3.2	-13.6	3.1	1.1
Cape Charles - Exmore	-6.4	N.A.	32.2	-2.8	N.A.	1.5	N.A.	-25.7	-5.9	0.1
Charlottesville	4.1	-13.5	-9.1	-3.4	N.A.	-5.4	2.5	11.0	7.5	5.8
Danville	0.2	N.A.	50.3	-2.6	-7.5	0.7	2.7	-7.3	N.A.	15.1
Franklin	-3.2	N.A.	-43.9	-4.8	1.6	6.8	N.A.	-0.5	-5.8	-11.5
Fredericksburg	6.2	22.6	-0.2	N.A.	3.4	4.2	N.A.	13.1	5.3	6.5
Harrisonburg	2.1	25.5	257.8	N.A.	-5.0	-18.6	N.A.	-3.6	11.1	8.8
Lynchburg	0.8	12.8	112.7	-2.6	N.A.	-11.6	0.8	13.7	0.9	3.0
Newport News - Hampton	4.7	N.A.	7.6	-3.3	5.5	-7.6	2.1	43.1	3.1	0.8
Norfolk - Va. Beach - Portsmouth	-4.9	-12.8	13.1	-6.2		-10.1		-9.2	-4.1	1.0
Petersburg	-4.2	-55.2	-49.2	N.A.	N.A.	-36.3	3.0	-7.8	3.8	3.2
Richmond	-2.2	-14.1	53.3	-3.6	-0.1	-17.5		-2.5	-0.7	6.3
Roanoke	-0.2	8.4	1.4	-1.9	-2.9	-1.5	1.2	-4.4	0.2	7.3
Staunton	2.1	9.3	190.0	N.A.	0.2	-20.9	N.A.	N.A.	13.5	-7.5
Williamsburg	2.6	16.1	60.6	-3.6	N.A.	-4.7	N.A.	2.4	4.5	10.3
Winchester	2.7	12.8	222.0	0.7	3.2	-5.6	N.A.	N.A.	N.A.	12.6

* Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
\# Virginia Employment Commission data which lags behind current reports.
† Preliminary data based on a survey sample.
‡ Total sales based on sales tax information which lags behind current reports.
⊃ Only total MSA data are available for these areas.

N.A. - Not Available
0.0 - No Change

For five of the seven indicators, declines did not occur broadly across the state. Most of the seventeen urban areas we cover shared decreases for only two variables, new car sales and electricity consumed. New car registrations retreated 17.7% statewide in February, and 16 of our 17 areas experienced a drop. Only Fredericksburg reported an increase, up 4.1%. New cars definitely were in less demand last month, explaining why the buyer incentive programs are back.

Electricity consumption fell 4.6% in February, and 12 of the 13 areas for which we have data experienced a decline. Given the wintery weather, our assumption is the decrease in consumption represents a lower level of business activity—widespread, but temporary.

In sum, negative moves by a whole set of economic indicators, even if most of the moves are small, get one's attention. The February declines were broad across types of economic activity, but generally not across geographic areas. Temporary forces seem to have been the cause, pointing to a one-month deviation from the recent pattern of growth. March, with its early Easter, should give a quite different picture, especially in consumer-related sectors. RLP

Nonagricultural Employment Growth in Virginia, 1988

The annual benchmark revision of the Virginia Employment Commission's nonagricultural employment data has been released, providing updated estimates of 1987 and 1988 payroll employment. The data include the nonagricultural employment levels for the state and its eight Metropolitan Statistical Areas (MSAs) by industry category. As in past years, the Bureau has constructed two tables to track Virginia's performance, overall and in nine industry groups. Geographically, the tables cover the state, the nonmetropolitan areas, the sum of the MSAs, and each individual MSA. Table IV shows the 1988 nonagricultural employment levels and Table V provides the 1987-1988 growth rates in percentages.

Total nonagricultural employment in 1988 grew by 3.7%, a clear deceleration from the revised 4.8% reported for 1987. The slower job growth still meant a lot of new payroll jobs were created, 100.2 thousand.

The slowing pace of job growth occurred in 7 of the 9 industry groups covered in Table V. The two exceptions were durable goods manufacturing, with a 1988 growth rate of 1.5% versus a 0.7% rate in 1987; and state and local government, rising 3.6% in 1988, up from 2.3% in 1987.

Among the 7 industry groups with less growth, 6 groups did experience increases in jobs in 1988. Only nondurable goods manufacturing lost employees last year, a decline of 2.0% or 4,600 jobs. Not a big loss, out of 2,780,600 total nonagricultural payroll employment, and the decreases were widely dispersed: 6 of the 8 metropolitan areas incurred losses, and the other two (Bristol and Charlottesville) had no change. Furthermore, the job loss was equally divided between the metropolitan and nonmetro areas, minus 2,300 in each. Nevertheless, the decrease is important to the state. Any drop in manufacturing employment represents a pullback in a basic industry, one that brings in income from outside of Virginia. Plus the cutback in one particular industry, textile mill products, was 2,300 or one-half of the total decline, indicating the adjustments in this industry still are continuing.

Focusing on the job gains, the leading sectors remain private services and trade. New trade and private sector service jobs added 66,000 employees to Virginia payrolls, two-thirds of the overall increase. The private services companies added a net of 42,400 payroll employees, a 6.8% increase. Wholesale and retail jobs rose by 23,600, up 3.9% from 1987. For comparison, the 1987 growth rates were 8.1% for services and 5.4% for the trade sector, so the increases in these sectors definitely are moderating.

NONAGRICULTURAL EMPLOYMENT IN VIRGINIA

TABLE IV

Average Employment in Thousands, 1988

Area	Total Nonagricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance, Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	2780.6	205.7	221.6	195.1	145.6	633.8	150.4	668.5	171.0	373.1
Nonmetro Areas	685.2	72.6	109.8	48.8	27.4	139.9	17.6	131.6	22.2	101.0
Sum of SMSAs	2095.4	133.1	111.8	146.3	118.2	493.9	132.8	536.9	148.8	272.1
Northern Va.	743.5	21.4	13.9	59.8	52.7	164.5	48.9	240.3	71.3	70.3
Bristol	32.0	6.5	4.3	0.9	1.1	8.2	1.2	4.6	0.5	4.7
Charlottesville	66.8	5.7	3.0	3.9	2.3	13.1	3.4	12.7	1.3	21.4
Danville	41.5	3.4	13.3	2.1	1.0	9.2	1.3	8.1	0.3	4.8
Lynchburg	71.8	14.9	8.0	3.8	2.6	16.2	3.9	13.3	0.5	8.8
Hampton Rds.	565.1	50.2	17.8	38.1	26.5	140.1	27.0	135.8	54.8	74.8
Richmond/Petersburg	452.1	19.0	43.6	30.1	23.6	108.9	38.8	95.0	16.8	75.2
Roanoke	122.6	12.0	7.9	7.8	8.4	33.7	8.3	29.1	3.3	12.1

TABLE V

Employment Percentage Changes, 1987-1988

Area	Total Nonagricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance, Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	3.7%	1.5%	-2.0%	6.7%	2.1%	3.9%	4.7%	6.8%	0.4%	3.6%
Nonmetro Areas	4.9%	1.0%	-2.1%	9.7%	-3.2%	8.1%	7.3%	13.4%	12.1%	3.5%
Sum of SMSAs	3.3%	1.6%	-2.0%	5.7%	3.4%	3.3%	4.4%	5.3%	-1.1%	3.7%
Northern Va.	5.3%	0.0%	-1.4%	12.8%	7.8%	3.1%	6.1%	7.5%	-2.2%	6.2%
Bristol	3.2%	12.1%	0.0%	0.0%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%
Charlottesville	2.5%	0.0%	0.0%	8.3%	4.5%	0.8%	0.0%	8.7%	0.0%	2.4%
Danville	2.7%	6.3%	-3.6%	23.5%	0.0%	8.2%	8.3%	3.4%	0.0%	0.0%
Lynchburg	0.8%	-3.2%	-4.8%	5.9%	-10.3%	11.0%	5.4%	-0.7%	0.0%	0.0%
Hampton Rds.	2.1%	2.7%	-4.8%	-3.3%	1.1%	2.9%	0.7%	4.7%	-0.5%	3.5%
Richmond/Petersburg	3.0%	2.7%	-0.5%	4.5%	2.2%	3.6%	5.7%	2.2%	1.2%	3.9%
Roanoke	1.2%	0.8%	-1.3%	2.6%	-5.8%	0.6%	2.5%	4.3%	0.0%	1.7%

Construction gains continued at a strong pace, up 6.7%, another 12,200 workers in 1988, bringing the level for the year to 195,100. For perspective, in 1982 there were only 103,800 construction jobs in Virginia. Boom is too mild a word to describe the continuing incredibly high pace of building in Virginia.

The eight metropolitan statistical areas (MSAs) in Virginia still accounted for the bulk of the job growth in 1988, measured in number of people. The MSAs added 67,900 new payroll jobs, compared to 32,300 in the nonmetropolitan areas of the state. However the overall growth rate in percentage terms for the 8 MSAs was only 3.3%, down 2 percentage points from last year's 5.3%. Meanwhile the percentage gain in nonmetropolitan Virginia was 4.9%, up from the 3.4% rise in 1987. A major reason is private service sector jobs are now increasing quite rapidly in the nonurban areas, up 13.4% in 1988 and accounting for almost one-half of the new jobs in those areas. In general, much of Virginia's current strength lies outside of the major metropolitan areas, worth bearing in mind since the MSAs are the main topic of most monthly data releases.

Among the 8 MSAs, 7 of the 8 experienced slower rates of job growth in 1988 than in 1987. The only exception was the Virginia portion of the Bristol MSA, with 1988 payroll job growth of 3.2% versus 3.0% in 1987. The Northern Virginia MSA retained its position as the state's urban growth leader with a 5.3% advance for 1988; but the increase in 1987 was 7.2%, almost 2 points higher. Four of our MSAs experienced declines of 2 percentage points or more in their job growth: the Richmond-Petersburg MSA rate fell 2.3 percentage points, from 5.3% in 1987 to 3.0% in 1988; in the Charlottesville MSA, the drop was 2.2%, from 4.7% in 1987 to 2.5% in 1988; Hampton Roads, down 2.0% from 4.1% to 2.1%; and the Roanoke MSA , also down 2.0% from a 3.2% rise in 1987 to only 1.2% for 1988. Danville and Lynchburg had more modest slowdowns in their growth rates, 1.1% and 0.3% respectively.

In retrospect, 1988 as expected was a year of decelerating payroll job growth, with the major metropolitan areas moving to slower, more sustainable rates of growth. The Northern Virginia growth rate of 5.3% was the only MSA rate above 3.2%. Nonagricultural employment growth will continue to slow in 1989, to a statewide rate of 3.0%. A more modest increase, but still an addition of 84,000 net new payroll jobs. RLP

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